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THE EFFECT OF RGEC COMPONENTS ON THE SHARE PRICE OF BANKING SECTOR COMPANIES

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Abstract

This research is motivated by a significant decline in banking stock prices in 2024, triggered by the end of the credit restructuring stimulus by the OJK and the massive sell-off by foreign investors. This condition raises concerns about increasing credit risks and declining market confidence. Therefore, this study aims to analyze the influence of bank health factors using the RGEC (Risk Profile, Good Corporate Governance, Earning, and Capital) approach. The variables used include Risk Profile (NPL), GCG (Self Assessment), Earning (NIM), and Capital (CAR) on the share price of banking companies listed on the Indonesia Stock Exchange for the 2022–2024 period. The research method used was a quantitative approach with purposive sampling techniques, resulting in 32 banking companies as a sample during three years of observation. Data analysis was carried out using classical assumption tests, multiple linear regression, determination coefficient tests, and hypothesis tests with SPSS software version 30. The results of the study showed that partially, GCG, NIM, and CAR had a significant effect on stock prices, while NPLs had no significant influence. Simultaneously, all components of RGEC have a significant effect on the share price of banking companies.

Keywords: Capital, Earning, Good Corporate Governance, Risk Profile.

INTRODUCTION

The banking sector has a very important role in supporting the economy. As a financial intermediation institution, banks collect funds from the public and redistribute them in the form of credit, financing, or other instruments to support productive investment activities (Oktariani et al., 2024). In addition to the intermediation function, banks also provide payment services, maintain the liquidity of the financial system, and support monetary policy through interest rate regulation and money circulation. Therefore, optimal banking sector performance is essential to maintain economic stability and community welfare.

However, this sector is not exempt from risks. One of the important phenomena occurred in 2024 when the credit restructuring policy after the Covid-19 pandemic was officially stopped. This policy was initially aimed at helping debtors, but instead raised concerns about increased credit risk. As a result, there was a massive sell-off, including by foreign investors, which caused capital outflows of up to Rp 10.5 trillion in a month and triggered a decline in bank share prices on the Indonesia Stock Exchange. This decline not only affected large banks such as BRIS and BMRI, but also medium, digital, and mini banks. A varied price correction suggests that changes in macroeconomic policy could have a far-reaching impact on financial sector stability. The data shows that the shares of the big banks could fall by more than 4%, while the decline in the small banks tends to be more moderate (Dwi, 2024).

From a capital market perspective, stock prices are one of the important indicators in assessing a company's performance and prospects. Investors consider various factors in making investment decisions, one of which is the health of the bank. The health of a bank not only describes its financial condition, but also the quality of management and the ability to manage risk (Nurulrahmatiah, 2024). In Indonesia, the health of banks is measured through the RGEC (Risk Profile, Good Corporate Governance, Earning, and Capital) approach based on Bank Indonesia Regulation No. 13/1/PBI/2011 and Circular Letter No. 13/24/DPNP of 2011. The RGEC method assesses four main aspects, namely the Risk Profile measured by the Non-Performing Loan (NPL) ratio to reflect credit risk. GCG shows the quality of bank governance. Earnings are proxied by Net Interest Margin (NIM) which describes the adequacy of profits, while Capital is measured by the Capital Adequacy Ratio (CAR) which describes the adequacy of capital (Bank Indonesia Circular Letter, 2011).

Research related to the influence of RGEC components on stock prices shows mixed results. Research by Maharani & Iradianty (2021) says that *risk profile* as measured by NPLs have a significant effect on the stock priceWhile Sambuaga et al. (2023) stating that there is no significant influence on the stock price. The same thing happened in the GCG aspect, research findings by Nurulrahmatiah (2024) said that GCG has a significant effect on the price of shares listed on the Indonesia Stock Exchange. In contrast to the findings of the research by Sambuaga et.al (2023) said that GCG has no effect on stock prices. Earnings proxied with NIM also show inconsistent results, Research by Trivia (2021) says that the *Earning* measured by the *Net Interest Margin* (NIM) has a significant influence on the stock price, While research by Akbar (2024) says that *Earning* measured by *Net Interest Margin* (NIM) has no significant effect on the stock price. Capital measured through CAR also yields findings Research by Nurulrahmatiah (2024), it is obtained that the capital (*Capital*) that are proxied through CAR have a significant influence on the stock price. Meanwhile, research by Sambuaga et.al (2023) says that *Capital* proxies with CAR have no effect on stock prices.

Many previous studies have addressed this topic, but there are differences in results between them. Previous research findings show inconsistent results so that research on factors affecting stock prices from *the risk profile, GCG, earning*, and *capital components* is still relevant to be conducted. The research was conducted again to re-examine the influence of *risk profile, GCG, earning*, and *capital* on stock prices, as well as prove whether the bank's health level affects stock price movements. Thus, the author is interested in taking "the title of the influence of the RGEC (Risk Profile, Good Corporate Governance, Earning, and Capital) component on the share price of banking sector companies listed on the Indonesia Stock Exchange for the 2022–2024 period".

RESEARCH METHOD

This study uses a quantitative approach to analyze the influence of Risk Profile, Good Corporate Governance, Earning, and Capital on the share price of banking companies listed on the Indonesia Stock Exchange (IDX) for the 2022–2024 period. The population in this study includes all banking sector companies listed on the IDX during that period. The sample was determined using the purposive sampling method with the following criteria: banking companies listed on the IDX during 2022 to 2024, reporting complete financial statements during this period, publishing Good Corporate Governance (GCG) reports every year, consistently recording profits for three consecutive years, and included in the category of conventional banks. Based on these criteria, 32 companies were obtained as a research sample.

The data used is secondary data sourced from the annual financial statements, annual report, and year-end closing share prices, which are obtained through the official website of the Indonesia Stock Exchange and each company. The research instrument is in the form of a documentation sheet used to record the value of the variables Risk Profile (Non Performing Loan / NPL), Good Corporate Governance (self-assessment), Earning (Net Interest Margin / NIM), Capital (Capital Adequacy Ratio / CAR), and stock price. The data collection technique is carried out by the documentation method through systematic recording of information in financial statements and other official sources. All data collected is then processed using IBM SPSS Statistics software version 30.

Data analysis was carried out through several stages, namely the classical assumption test consisting of a normality test, a multicollinearity test, a heteroscedasticity test, and an autocorrelation test to ensure the feasibility of the regression model. Furthermore, multiple linear regression analysis was carried out to test the simultaneous and partial influence of RGEC components on stock prices. Regression analysis included an F-test to measure influence simultaneously, a t-test for partial influence, a coefficient of determination (R^2), and a hypothesis test with a significance level of 5% ($\alpha = 0.05$).

RESULT AND DISCUSSION

This study aims to analyze the influence of RGEC (Risk Profile, Good Corporate Governance, Earning, and Capital) on the share price of banking companies listed on the Indonesia Stock Exchange for the 2022–2024 period. The data used was obtained from the annual financial statements and information from the official websites of the IDX and OJK. The analysis was carried out with the help of SPSS version 30.

Classic Assumption Test:

Normality Test

Table 1 Test *Kolmogorov-Smirnov One-Sample*

One-Sample Kolmogorov-Smirnov Test

			Unstandardized Residual
N			96
Normal Parameters[a,b]	Mean		.0000000
	Std. Deviation		1871.1057630
Most Extreme Differences	Absolute		.182
	Positive		.182
	Negative		-.098
Test Statistic			.182
Asymp. Sig. (2-tailed)[c]			<.001
Monte Carlo Sig. (2-tailed)[d]	Sig.		<.001
	99% Confidence Interval	Lower Bound	.000
		Upper Bound	.000

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. Lilliefors' method based on 10000 Monte Carlo samples with starting seed 2000000.

Source. Output SPSS 30, 2025

Based on the SPSS output, the results of the Kolmogorov smirnov test can be found that the value of *the significance of Asymp.* (2-tailed) of 0.001 less than 0.05. Therefore, in accordance with the basis of decision-making in the Kolmogorov-Smirnov test above, it can be concluded that H0 is rejected and Ha is accepted, which means that the data is abnormally distributed.

From the data above, it can be concluded that the data is not distributed normally, so the next step that can be done is to transform the data. Data that is not distributed normally can be transformed to normalize. In this study, the author used Ln data transformation (natural logarithm). Ln data transformation (natural logarithms) is used to normalize data that is not normally distributed, especially if the data has a pattern that is not normally distributed, such as positive slope (Ghozali, 2021).

The following is the output of the normality test after the Ln (natural logarithm) data transformation is carried out:

Table 2 Kolmogorov-Smirnov One-Sample Test after data transformation

One-Sample Kolmogorov-Smirnov Test

			Unstandardized Residual
N			96
Normal Parameters[a,b]	Mean		.0000000
	Std. Deviation		1.11162446
Most Extreme Differences	Absolute		.075
	Positive		.074
	Negative		-.075
Test Statistic			.075
Asymp. Sig. (2-tailed)[c]			.200[d]
Monte Carlo Sig. (2-tailed)[e]	Sig.		.199
	99% Confidence Interval	Lower Bound	.189
		Upper Bound	.209

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.
e. Lilliefors' method based on 10000 Monte Carlo samples with starting seed 926214481.

Source. Output SPPS 30,2025

The results of the Kolmogorov-Smirnov (K-S) test showed a significance level of 0.200 or 20%, which means more than 0.05 or 5%. Thus, it can be concluded that the residual data that has been processed is distributed normally. The assumption of normality in this regression model has been met, so that the data meet one of the requirements for further analysis in linear regression.

Multicollinearity Test

Table 3 Multicolityarity Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	2.036	1.243		1.638	.105		
	Ln_X1	-.059	.121	-.041	-.486	.628	.940	1.064
	Ln_X2	-1.684	.544	-.267	-3.093	.003	.892	1.121
	Ln_X3	1.558	.308	.438	5.056	<.001	.883	1.133
	Ln_X4	.873	.226	.329	3.873	<.001	.919	1.088

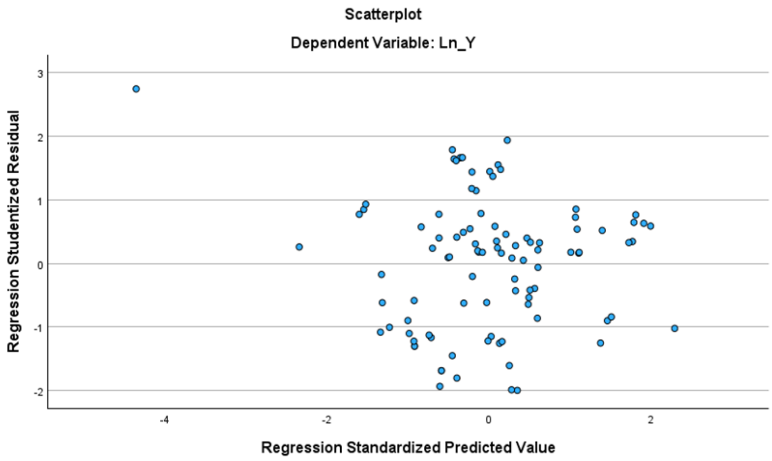
a. Dependent Variable: Ln_Y

Source. Output SPPS 30, 2025

Based on the results of the multicollinearity test, all independent variables showed a tolerance value greater than 0.10 and a *Variance Inflation Factor* (VIF) value of less than 10. The *tolerance* values for the NPL, GCG, NIM, and CAR variables were above the threshold of 0.10 each, while the VIF values for the four variables were also well below the limit of 10. This indicates the absence of strong linear relationships between

independent variables in the model. Thus, it can be concluded that the regression model meets the assumption that multicollinearity does not occur and is feasible for multiple linear regression analysis.

Heteroscedasticity Test



Picture 1 Hethrocededticity Test

Source. Output SPSS 30, 2025

Based on these *outputs*, it can be seen that the dots are scattered randomly and scattered both above and below the zero on the Y axis.

Autocorrelation Test

Tabel 4 Model Summary

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.630[a]	.396	.370	1.14507	1.816

a. Predictors: (Constant), Ln_X4, Ln_X2, Ln_X1, Ln_X3

b. Dependent Variable: Ln_Y

Source. Output SPSS 30, 2025

Based on the results of the *Durbin–Watson* test, a statistical value of 1.816 was obtained. This value is compared with the lower limit (dL = 1.5821) and upper limit (dU = 1.7553) at a significance of 5% with n = 96 and k = 4. Since *the Durbin–Watson* value is between dU and (4 – dU), which is 1.7553 < 1.816 < 2.2447, it can be concluded that the regression model does not indicate an autocorrelation problem. Thus, the autocorrelation-free assumption in this regression model has been met.

Analysis and Interpretation of Multiple Linear Regression Tests

Table 5 Multiple Linear Regression Analysis

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	2.036	1.243		1.638	.105		
	Ln_X1	-.059	.121	-.041	-.486	.628	.940	1.064
	Ln_X2	-1.684	.544	-.267	-3.093	.003	.892	1.121
	Ln_X3	1.558	.308	.438	5.056	<.001	.883	1.133
	Ln_X4	.873	.226	.329	3.873	<.001	.919	1.088

a. Dependent Variable: Ln_Y

Source. Output SPSS 30, 2025

Multiple linear regression equation:

Share Price = 2,036 + (-0.059) NPL + (-1,684) GCG + 1,558 NIM + 0.873 CAR.

Based on the results of the estimation of the multiple linear regression equation, the constant value of 2.036 indicates that if all independent variables (NPL, GCG, NIM, and CAR) are assumed to be constant at zero, then the stock price is estimated to increase by 2.036. The variable coefficient of NPLs is -0.059 which indicates that any increase in NPLs of 1% will decrease the stock price by 0.059, assuming the other variables are constant. The GCG variable has a coefficient of -1.684, meaning that a 1% increase in GCG will decrease the stock price by 1.684. Meanwhile, NIM has a positive coefficient of 1.558 which means that every 1% increase in NIM will increase the stock price by 1.558. Finally, a CAR coefficient of 0.873 indicates that a 1% increase in CAR will increase the stock price by 0.873 assuming the other variables are constant.

Determination Coefficient Analysis (R^2)

tabel 6 Model Summary

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.630[a]	.396	.370	1.14507	1.816

a. Predictors: (Constant), Ln_X4, Ln_X2, Ln_X1, Ln_X3

b. Dependent Variable: Ln_Y

Source. Output SPSS 30, 2025

Based on the summary model table , the magnitude of the Adjusted R Square value is 0.370, this means that 37.0% of the stock price variation can be explained by the variation of the four independent variables NPL, GCG, NIM, CAR. While the remaining 63% is explained by other factors that were not studied in this study.

Uji Hypothesis

T test

Tabel 7 Coefficients

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	2.036	1.243		1.638	.105		
	Ln_X1	-.059	.121	-.041	-.486	.628	.940	1.064
	Ln_X2	-1.684	.544	-.267	-3.093	.003	.892	1.121
	Ln_X3	1.558	.308	.438	5.056	<.001	.883	1.133
	Ln_X4	.873	.226	.329	3.873	<.001	.919	1.088

a. Dependent Variable: Ln_Y

Source. Output SPSS 30, 2025

Based on the table above, it can be interpreted as follows

The significance value of the risk profile variable (NPL) was 0.628. With a value of 0.628 > 0.05, it can be concluded that the risk profile (NPL) does not have a significant effect on the stock price.

The significance value of Good Corporate Governance (GCG) is 0.003. Values of 0.003 < 0.05, it can be concluded that GCG has a significant effect on stock prices.

The significance value of the earning variable (NIM) is 0.001. Value 0.001 < 0.05, then it can be concluded that earnings (NIM) have a significant effect on the stock price.

The significance value of the capital variable (CAR) is 0.001. Value 0.001 < 0.05, it can be concluded that capital (CAR) has a significant effect on the stock price.

F test

Table 8 Anova

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	78.340	4	19.585	14.937	<.001[b]
	Residual	119.317	91	1.311		
	Total	197.657	95			

a. Dependent Variable: Ln_Y

b. Predictors: (Constant), Ln_X4, Ln_X2, Ln_X1, Ln_X3

Source. Output SPSS 30, 2025

Based on the anova table above, it is known that the sig value is 0.001. Because the sig value is 0.001 < 0.05, it can be concluded that H0 is rejected. This means that NPL, GCG, NIM, and CAR simultaneously affect the stock price.

Analysis / Discussion

The Effect of Net Perfoming Loan (Risk Profile) on Stock Price

The first hypothesis states that the risk profile (NPL) has a significant effect on the stock price. However, the results showed a significance value of 0.628 (> 0.05), so the hypothesis was rejected. These findings show that NPLs have no significant effect on stock prices. Although NPLs reflect the quality of a bank's credit and the potential risk of non-performing loans, the results of this study indicate that investors may be paying more attention to other aspects such as profitability. These findings are consistent with research Sambuaga et al. (2023) which also found that NPLs had no significant effect on stock prices.

The Influence of Good Corporate Governance (GCG) on Stock Prices

The second hypothesis states that Good Corporate Governance (GCG) has a significant effect on stock prices. The results showed a significance value of 0.003 (< 0.05), so the hypothesis was accepted. The relationship formed is negative, according to the value of the regression coefficient. In this study, GCG was measured through self-assessment, where lower scores reflect better governance. This means that the better the implementation of GCG, the stock price tends to rise. This shows that the market responds positively to companies with good governance because they are considered more transparent and able to manage risks effectively. These findings are consistent with research Nurulrahmatiah (2024) which also found a significant influence of GCG on stock prices.

The Effect of Net Interest Margin (Earning) on Stock Price

The third hypothesis states that NIM has a significant effect on stock prices. The results showed a significance value of < 0.001, so the hypothesis was accepted. This shows that NIM has a significant influence on stock prices. NIM reflects a bank's ability to generate interest income from its assets, where an increase in NIM signifies profitability and better prospects. This condition is a positive signal for investors, encourages investment interest, and increases stock prices. These findings are in line with research Trivia (2021) which states that NIM has a significant effect on the stock price.

The Effect of Capital Adequacy Ratio (Capital) on Stock Prices

The fourth hypothesis states that the Capital Adequacy Ratio (CAR) has a significant effect on the stock price. The results showed a significance value of < 0.001, so the hypothesis was accepted. The CAR reflects the bank's capital adequacy in

covering the risk of losses from the investment of risky assets. The higher the value of the CAR, the stronger the bank's ability to deal with potential losses, thus providing a sense of security for investors and having a positive impact on stock prices. This finding is consistent with Nurulrahmatiah's (2024) research which states that CAR has a significant effect on stock prices.

The Effect of Non-Performing Loan (Risk Profile), Good Corporate Governance (GCG), Net Interest Margin (Earning), Capital Adequacy Ratio (Capital) on Stock Price

Based on the results of the regression analysis, an F-calculation value of 14.937 was obtained with a significance of < 0.001, smaller than 0.05. This shows that the fifth hypothesis is accepted, so that simultaneously the variables of Non-Performing Loan (Risk Profile), Good Corporate Governance (GCG), Net Interest Margin (Earning), and Capital Adequacy Ratio (Capital) have a significant effect on stock prices.

CONCLUSION

Non-Performing Loan (Risk Profile) does not have a significant effect on the stock price. Meanwhile, Good Corporate Governance (GCG), Net Interest Margin (Earning), and Capital Adequacy Ratio (Capital) have a significant effect on the share price of banking sector companies listed on the Indonesia Stock Exchange (IDX) for the 2022–2024 period. Meanwhile, simultaneously these four variables, namely NPL, GCG, NIM, and CAR, have a significant effect on the share prices of banking sector companies listed on the Indonesia Stock Exchange (IDX) for the 2022-2024 period. Theoretically, these findings add insight to the literature review on the influence of RGEC on stock prices. Practically, the results of this research can be used as a guideline for banking management, investors, and regulators in strengthening the company's performance, governance, and capital resilience.

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